



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

September 24, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "WTF", followed by a stylized flourish.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

SACRAMENTO UPDATE

State Budget Update

Yesterday, Governor Schwarzenegger signed **AB 1781** and **AB 88**, the two bills that make up the *2008 Budget Act*. No trailer bills have been signed. The final budget plan includes \$103.4 billion in State General Fund expenditures and resolves the State's \$15.2 billion shortfall in FY 2008-09, but it fails to address the ongoing structural budget deficit which is already estimated to be \$1.5 billion at the beginning of FY 2009-10. In addition, two key components of the final budget agreement will require voter approval of certain budget reforms and revenue from securitization of the lottery. The Governor has indicated that March 2009 will be too soon for a special election and that June 2009 is a more likely date.

As widely speculated, since the Governor and Legislative leaders reached the agreement that ended the longest budget stalemate in State history (85-days) on September 18, 2008, the Governor used his line-item veto authority to reduce spending by an additional \$510 million in order to increase the State's budget reserve. The final plan also takes into account an additional \$340 million in savings resulting from delayed enactment of the budget and the effect of the Governor's Executive Order to reduce overtime and lay-off 10,000 temporary and part-time State workers. As a result of these actions, the final budget includes a reserve of \$1.7 billion.

"To Enrich Lives Through Effective And Caring Service"

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Similar to last year, the majority of the veto reductions occurred in the following areas:

- \$153.0 million to Health and Human Services affecting programs such as CalWORKs, Medi-Cal, Adult Protective Services, the Substance Abuse and Crime Prevention Act, and others;
- \$190.9 million in total from the Senior Citizen's Property Tax Assistance (\$40.6 million) and Senior Citizens Renter's Tax Assistance (\$150.3 million) programs;
- \$84.0 million to various Statewide programs;
- \$28.0 million to Corrections and Rehabilitation; and
- \$26.0 million to K-12 Education programs.

Impact on the County

As reported in our September 18, 2008 Sacramento Update, the impact of the Legislature's approved budget package was an estimated \$94.7 million loss to the County. Based on our review of the Governor's line-item vetoes, **we estimate that the impact on the County will increase by an additional \$33.9 million to an estimated overall County loss of \$128.6 million.** The difference is primarily attributable to the additional losses of:

Estimated Impact	Governor's Line-Item Vetoes
\$17.6 million	Reduction to CalWORKs Single Allocation funding.
\$ 6.4 million	Reduction of State matching funds for the Drug Medi-Cal Program.
\$ 3.0 million	Reduction to the Substance Abuse & Crime Prevention Act (Proposition 36) Program funding.
\$ 2.6 million	10 percent reduction to Adult Protective Services administration funding.
\$ 2.3 million	Reduction to the Mental Health Managed Care Program.
\$ 0.6 million	Reduction to Drug Court Program funding.
\$ 0.6 million	Reduction to the Perinatal Substance Abuse Treatment Programs.
\$ 0.4 million	Reduction to the AIDS/HIV Education & Prevention Program funding.
\$ 0.2 million	Reduction to Non-Drug Medi-Cal Treatment Programs.
\$ 0.1 million	Reduction to the California State Library funding.

Attached is a chart illustrating the overall estimated impact on the County which has been updated to reflect final adoption of the FY 2008-09 State Budget.

Governor's Line-Item Vetoes of Interest to the County

In most of his veto messages, the Governor indicated that his actions were necessary because the budget fails to eliminate the structural budget deficit and to further control State spending. The following includes line-item vetoes of interest to the County.

General Government

- **California State Library.** The Governor reduced funding by approximately 11 percent, instead of the 5 percent approved by the Legislature, for the Public Library Foundation and the Transaction-Based Reimbursement Programs, which would result in an overall County loss of approximately \$182,000.

Public Health

- **Alcohol and Other Drug Services Programs.** The Governor reduced local assistance for Alcohol and Other Drug Services Programs by \$15.0 million Statewide. The Department of Public Health indicates that this reduction will result in an additional County loss of approximately \$6.4 million in State matching funds for the Drug Medi-Cal Program. In addition, the County will lose an additional \$6.4 million from the loss of Federal Financial Participation Medi-Cal funds.
- **Other Non-Drug Medi-Cal Treatment Programs.** The Governor reduced funding for Other Non-Drug Medi-Cal Treatment Programs by \$579,000 Statewide. The Department of Public Health indicates that this reduction will result in a loss of \$180,000.
- **Substance Abuse Crime Prevention Act (Proposition 36) and Offender Treatment Programs.** The Governor reduced funding for Proposition 36 by \$10.0 million and the Offender Treatment Program by \$2.0 million, for a total of \$12.0 million Statewide. The Department of Public Health indicates that this reduction will result in a County loss of \$3.0 million.
- **Drug Court Programs.** The Governor reduced funding for Drug Court Programs by \$3.0 million Statewide. The Department of Public Health indicates that this reduction will result in a loss of \$626,000 to the County.
- **Perinatal Substance Abuse Treatment Programs.** The Governor reduced Perinatal Substance Abuse Treatment Programs by \$2.4 million Statewide. The Department of Public Health indicates that this reduction will result in a County loss of \$610,000 for these programs.

- **AIDS/HIV Education and Prevention.** The Governor reduced funding for AIDS/HIV Education and Prevention programs by \$5.5 million Statewide noting that \$31.8 million is still available for these programs. The Department of Public Health (DPH) indicates that this reduction will result in a greater County impact than previously estimated, although an exact impact is yet to be determined. The Department's Public Health Laboratory (PHL) receives funding for HIV-1 Viral Load testing and for HIV-1 Viral Resistance testing. If funding for these testing programs is cut proportionally, DPH indicates that the PHL is likely to lose an additional \$400,000 in State reimbursements, for a total County loss of \$1.2 million to AIDS/HIV Education and Prevention programs in FY 2008-09.

Mental Health

- **Mental Health Managed Care Program.** The Governor reduced the Mental Health Managed Care Program by an additional \$7.7 million Statewide. The Department of Mental Health indicates that this reduction will result in an additional loss of approximately \$2.3 million to the County, for a total loss of \$3.8 million in FY 2008-09. This funding loss will result in a decrease and rationing of mental health services to the uninsured and undocumented clients.
- **Mental Health Services Act (Proposition 63).** The final budget includes language specifying legislative intent for counties to consider ways to provide services similar to those established under the Mentally Ill Offender Crime Reduction (MIOCR) Grant Program by using Proposition 63 funds. The MIOCR Grant Program was not funded in FY 2008-09. The Department of Mental Health notes that Proposition 63 prohibits the use of funds to supplant existing programs.

Social Services

- **CalWORKs Single Allocation.** The Governor reduced \$60 million Statewide in CalWORKs Single Allocation funds which are used for County administration, employment services and Stage 1 Child Care. In his veto message, the Governor indicated that even with this reduction, funding for CalWORKs Single Allocation reflects an increase from FY 2007-08 to FY 2008-09. The impact to the County is an estimated \$17.6 million loss.
- The Governor also vetoed \$10 million which has never been appropriated to counties to provide alternative employment services for CalWORKs participants.
- **Adult Protective Services.** The Governor reduced \$11.4 million for the Adult Protective Services Program which is the same amount he proposed as part of his January Budget proposal. The impact on the County is an estimated \$2.6 million loss in FY 2008-09.

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Transportation

The Department of Public Works indicates that the reductions in bond funds will have no impact on the County.

We will continue to keep you advised.

WTF:GK:ML
MR:IGEA:lm

Attachment

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations

**ESTIMATED IMPACT TO LOS ANGELES COUNTY
FROM THE GOVERNOR'S FY 2008-09 PROPOSED BUDGET**

Programs:	May Revision	Conference Committee	Final Legislative Budget	Adopted Budget
<u>Health</u>				
Medi-Cal Provider and Managed Care Rates	(\$12,714,000)	(\$2,775,000)	(\$8,738,000)	(\$8,738,000)
Federal Safety Net Care Pool Payments/So. L.A. Preservation Fund	(24,393,000)	0	0	0
California Healthcare for Indigents Program	(5,300,000)	(5,300,000)	(5,300,000)	(5,300,000)
Section 1931(b) Medi-Cal Eligibility	(5,000,000)	0	0	0
Medi-Cal Eligibility for Legal Immigrants	(1,500,000)	0	0	0
<u>Public Health</u>				
HIV/AIDS Treatment and Prevention	(1,000,000)	(800,000)	(800,000)	(1,200,000)
Family and Health Programs	(202,000)	(202,000)	(202,000)	(202,000)
Alcohol and Other Drug Programs / Drug Medi-Cal Program	(6,628,000)	0	0	(6,400,000)
Proposition 36 Program/Offender Treatment Program	(3,049,000)	0	0	(3,049,000)
Other State-Funded Programs	(1,427,000)	0	0	0
Children's Medical Services / California Children's Services	(4,500,000)	0	0	0
Tuberculosis Control Program	(151,000)	0	0	0
Immunization Program	(827,000)	(81,000)	(81,000)	(81,000)
Drug Court Programs	0	0	0	(626,000)
Perinatal Substance Abuse Treatment Programs	0	0	0	(610,000)
Other Non-Medi-Cal Drug Programs				(180,000)
<u>Mental Health</u>				
State Maximum Allowance Rate Cut (EPSDT & Adult Services)	(23,100,000)	0	0	0
Mental Health Managed Care Program	(7,140,000)	(1,500,000)	(1,500,000)	(3,800,000)
Institutes for Mental Disease	0	0	(6,300,000)	(6,300,000)
<u>Social Services</u>				
Child Welfare Services Administration	(25,000,000)	0	0	0
Foster Care Provider Payments Savings	14,900,000	0	0	0
Adult Protective Services Administration	(2,600,000)	0	0	(2,600,000)
Medi-Cal Administration	(55,300,000)	(20,000,000)	(33,400,000)	(33,400,000)
In-Home Supportive Services (IHSS) Administration	(7,600,000)	0	(5,100,000)	(5,100,000)
IHSS Program Savings	10,400,000	0	0	0
Reduced State Participation in IHSS Wages	(48,600,000)	0	0	0
Food Stamps Administration	--	0	(6,900,000)	(6,900,000)
CalWORKs Program Reforms	(105,000,000)	0	0	0
CalWORKs Single Allocation Funding	0	0	0	(17,600,000)
Cash Assistance Program for Immigrants	(13,700,000)	0	0	0
Community Treatment Facilities Differential Rate	(1,500,000)	0	0	0
<u>Justice and Public Safety</u>				
Juvenile Probation Camp Funding	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)
Juvenile Justice Crime Prevention Act (JJCPA) Program	(3,300,000)	(4,800,000)	(3,300,000)	(3,300,000)
Citizens Option for Public Safety (COPS) Program	(1,000,000)	(1,100,000)	(1,000,000)	(1,000,000)
<u>General Government</u>				
Delay of Third Installment of the Deferred Mandate Payments	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)
February 2008 Presidential Primary Election	0	0	0	0
Public Library Fund	(190,000)	(95,000)	(80,000)	(182,000)
Military and Veteran Affairs Programs	(29,000)	0	0	0
Subventions for Open Space (Williamson Act)	(4,000)	(4,000)	(4,000)	(4,000)
Total	(\$357,454,000)	(\$58,657,000)	(\$94,705,000)	(\$128,572,000)

Notes:

This table represents the estimated loss/gain of State funds based upon the Governor's Proposed Budget, May Revision, Conference Committee, Final Legislative and Adopted Budget proposals. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.